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BC Community Financial Services Corporation

Four Corners Community Savings

2000/01 Annual Report
June 2001

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National Library of Canada Cataloguing in Publication Data
B.C. Community Financial Services Corporation.
Four Corners Community Savings ... annual report. -- 2000/01-

Annual.
Cover title: Annual performance report.
ISSN 1499-3260 = Four Corners Community Savings ... annual report

1. B.C. Community Financial Services Corporation - Periodicals. 2. Banks and banking - British Columbia - Vancouver - Periodicals. 3. Poor - Services for - British Columbia - Vancouver - Periodicals. I. Title. II. Title: Annual performance report.

HG2709.B7B74 332.1'224'097113305 C2001-960246-4

PREAMBLE

Four Corners recently celebrated its fifth anniversary as a deposit taking financial institution. Since opening its doors, it has welcomed thousands of people living and working in Vancouver's Downtown Eastside. Most have come to open and use savings accounts at its branch on Hastings and Main. Some have also borrowed money for their homes and businesses. Those who share its goals have helped to support it through their term deposits. Four Corners is achieving its vision as a community-focussed engine of change. This document reports on its progress over the past year.

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LIST OF DIRECTORS AND OFFICERS

1 Message From The Chair/Chief Executive Office

Jim Green
Chair/Chief Executive Officer

This past year, Four Corners has achieved some remarkable successes.

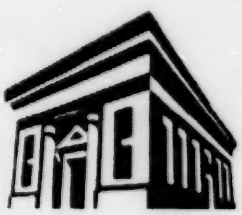
While meeting its statutory mandate, it provided financial services to a significant proportion of those living in the Downtown Eastside (DTES). In particular, it served those with low incomes – supplying them with easy and friendly access to basic products and services, like savings accounts. Four Corners also offered financial services, including loans, to businesses which will help to enhance the vitality and viability of its neighbourhood.

Significant deposits from members of a wider community were attracted by Four Corners – reflective of how broadly its goals are shared. An enhanced marketing strategy was initiated and a variety of community events sponsored. Four Corners' Advisory Council continued to support its activities over the course of the year. In March 2001, Four Corners completed its fifth year of branch operations and welcomed a new Board of Directors.

At the same time, the year was one of significant challenges. A series of planned cost saving measures were successfully accomplished. However, expenses increased overall as a result of increased marketing and consulting activities, allowances for loan losses and data processing. ATM transactions contributed positively to revenues, but the costs of providing high quality service to our customers remain high.

The challenge of sustainability remains our clear focus in the coming year. As we actively work towards achieving this, we look forward to the future it represents.

Jim Green
Chair/Chief Executive Officer



2 Introduction

The BC Community Financial Services Corporation (BCCFSC) does business as Four Corners Community Savings (Four Corners). Four Corners is a community financial institution located in Vancouver's DTES.

BCCFSC was established as a Crown corporation in 1994 under the *Community Financial Services Act* (CFSA). It was designed by the people it seeks to serve and is owned by a single shareholder, the provincial government. Its deposit guarantee regulation (part of the CFSA) guarantees individual deposits of up to $100,000 and institutional deposits of up to $2 million. Four Corners opened in April 1996.

This report is Four Corners[1] Annual Report for the 2000/01 fiscal year. It briefly describes what Four Corners does. It presents a message from Four Corners' Chair/Chief Executive Officer. It outlines how well Four Corners has achieved its goals in the past year and discusses its financial results. In the appendices, it provides information on Four Corners' Board of Directors and legislated Committees.

"A community bank is a nice place to be. It's beautiful. The friendship and comradeship you find here are unique – never find it elsewhere."

"Good for the community to help people in this area. I'm really, really happy and appreciative."

"Four Corners is serving people with a good purpose. I feel thankful that this place is a success."

1 This Annual Report has been prepared in accordance with Section 16 of the *Budget Transparency And Accountability Act* (BTAA).

3 Corporate Profile

Vision

In the long-term, Four Corners intends:

> To be an engine of economic and social change and to promote creative solutions for communities in need.

Mission

In order to accomplish its vision, it offers members of its community a full range of financial and related services and encourages them to use it as a savings institution.

Four Corners' "community" is defined as those who:

- Are under-serviced by existing financial services;
- Are in a state of suffering, neglect or poverty; or,
- Share and promote the principles, goals and purposes of the Corporation.

Values

Four Corners offers services which are:

- Respectful;
- Friendly;
- Inclusive (serve everybody);
- Accessible (barrier free);
- Appropriate;
- Reliable;
- Cooperative;
- Stimulating; and,
- Community focussed.

In addition, within the community, it expects to be a:

- Creative catalyst; and,
- Capacity builder (with staff and customers).

> ***"I got my first account ever five years ago, and last week I applied for my first line of credit. I like how the tellers make you feel comfortable and important."***

Activities

Four Corners offers the following banking services:

- Basic retail banking services like cheque cashing, savings accounts, chequing accounts, term deposits, U.S. dollar accounts, ATM access, point-of-sale access[2], direct deposits, RRSP deposits, night deposit, safety deposit boxes, money orders and utility bill paying services.
- Consumer/commercial lending services like Canada Mortgage and Housing Corporation (CMHC) approved mortgages, RRSP loans, other personal/commercial term loans and personal/commercial lines of credit.

It also undertakes supportive and marketing activities including:

- The provision of photo identification services for customers;
- The provision of financial, employment and social service information, advice and referrals to customers;
- The communication of information about Four Corners to customers, possible new customers and partners; and,
- The sponsoring of cultural/educational events at its branch including opera performances and University of British Columbia (UBC)'s urban field school events.

Four Corners' corporate services help to ensure that its other activities run smoothly. They include:

- Community/public consultation/ Advisory Council activities;
- Legislative/regulatory compliance activities; and,
- Board of Directors/Committee activities.

"I sit at the Four Corners Bank and see the people and say THANKS! It might be a tad slow, but we all like our small little community with people who are nice. Best of all is the gang who always shines bright. Hurray for the Four Corners Bank."

"It's more than a bank, it's a community centre. I love the operas and the access to the Internet! I always feel safe and happy."

[2] Introduced in April 2001.

4 Report On Performance Plan

Four Corners' goals and 2000/01 results are summarized in the following table. The goals, key strategies, performance measures, targets/expected results and 2000/01 results are presented in Appendix A.

The table shows Four Corners' most recent results for its performance measures. These actual results will form the "baseline" for Four Corners' 2001-2004 Performance Plan. Results in future years will be compared to this baseline data. The actual results reported are for 2000/01, except in a few cases where the latest performance information available is from interviews completed in December 1999. No changes to the Performance Plan were required in the preparation of this Annual Report.

In 2000/01, Four Corners achieved its legislated mandate. It encouraged the use of savings by members of its community and also provided them with a range of financial services.

Over the past year, Four Corners has made progress towards all ten of its goals. Highlights from the year include:

- Net increases in deposits ($0.4 million[3]) and loans ($1.8 million);
- Increased financial revenues of $0.3 million;
- A local market share estimated at 25%;
- Growth to more than 5,500 account holders – 80% of whom are low income customers;
- Increased ATM uptake – to about 30% of the customer base and between 3,500 and 4,000 transactions per month;
- Active guidance from Four Corners' Advisory Council on how to meet customer needs and provide excellent customer service;
- Successful operas and lectures for community members at Four Corners; and,
- The completion of staff training in banking/computer skills and upgrading of computer stations.
- Streamlining of Four Corners operations, organizational structure and decision-making processes.
- Operations in compliance with Four Corners' regulatory and statutory requirements.

In the next fiscal year, Four Corners looks forward to continued progress. It expects to experience the benefits of its recently increased marketing activities, particularly in terms of deposits.

It anticipates maintaining its local market share. It will introduce point-of-sale transactions to its customers. At least four cultural/educational events are planned during the fiscal year, sponsored by Four Corners.

The Advisory Council and Board of Directors will continue to be active. Staff training and development will also continue, while more efficient operations from in-house data processing are expected to occur.

[3] As a result of a Four Corners' shareholder decision, $8 million which was on deposit was withdrawn. Without this withdrawal, the net increase in deposits would have been $8.4 million in 2000/01.

GOALS	2000/01 RESULTS
Financial:	
Goal 1: Achieve financial targets.	• Deposits were $22.5 million at the end of fiscal year 2000/01 – a net increase of $0.4 million[4]. • Loans were $5.3 million at the end of fiscal year 2000/01 – a net increase of $1.8 million. • Financial revenues were $1.8 million in 2000/01 – a net increase of $0.3 million. • Operating expenses were $1.7 million in 2000/01 – a net increase of $0.2 million.
Customer:	
Goal 2: Deliver banking services that meet the needs of customers in an appropriate manner.	• Market share in the DTES is estimated to be 25% of the adult population by the end of the 2000/01 fiscal year. • Four Corners had 5,532 account holders at the end of fiscal year 2000/01[5]. Of these, 80% (4,421) were low income account holders. • ATM transactions averaged between 3,500 and 4,000 per month in 2000/01. • Approximately one-half of 201 onsite customers surveyed in December 1999 had opened their account two or more years ago.
Goal 3: Access to needed services in the community/DTES.	• Photo identification cards are currently on file for 5,532 savings/chequing account holders. According to the December 1999 survey of onsite customers: • 24% said they used Four Corners to look for jobs (e.g., through the Human Resources Development Canada (HRDC) kiosk in the lobby); • 13% to get information about job training or educational programs; • 9% to get advice about budgeting from bank staff; and, • 9% to get help for personal problems from staff.
Goal 4: Attracting new customers within/outside the DTES.	• Net new account holders were 556 in 2000/01.
Goal 5: Strong linkages with the community/DTES.	• In 2000/01, the Advisory Council met with the Board of Directors four (4) times. The Advisory Council focussed on how to provide excellent customer service, as well as on ensuring that Four Corners' products, services and hours of operation meet the needs of low income customers. • Some community organizations had accounts with Four Corners in 2000/01. In addition, organizations had input into Four Corners through the Advisory Council and through their participation in community meetings. • Cultural/educational events/programs supported in 2000/01 included: 4 operas; Humanities 101 program; UBC's urban field school; visiting lecturer; Poet's Corner; and, a sports camp for youth.

(cont'd)

4 As a result of a Four Corners' shareholder decision, $8 million which was on deposit was withdrawn. Without this withdrawal, the net increase in deposits would have been $8.4 million in 2000/01.

5 These are individuals who hold savings or chequing accounts which have been active in the past 12 months. This estimate assumes that these individuals hold either a savings account or a chequing account, but not both.

GOALS	2000/01 RESULTS
Goal 6: Benefits to customers.	Customer benefits reported in December 1999 interviews with onsite customers and community organization were: ▪ Financial (e.g., more money to manage, better money management, money lasting longer and a lower likelihood of being robbed); ▪ Increased feelings of security and self-confidence; and, ▪ Increased knowledge about where to go for help in the DTES.
Goal 7: Benefits to the DTES community.	Community benefits reported in December 1999 interviews with onsite customers and community organization included: ▪ Building a sense of community through pride in Four Corners as a community initiative and through past inclusive organizing efforts; ▪ Helping to increase street safety in the vicinity of Four Corners' location; and, ▪ Increased employment and role modelling through the hiring of staff from the community.
Business Process:	
Goal 8: Ensuring efficient business processes are in place.	▪ Increased efficiency in branch operations as a result of changes in operating hours and staff allocations. ▪ Enhanced contractual arrangements as a result of a review and renegotiations. ▪ The streamlining of organizational structures and decision-making processes.
Learning & Growth:	
Goal 9: Building and retaining capacity.	▪ In 2000/01 there was low turnover among staff members; most of Four Corners staff are being retained long-term. ▪ Staff training during 2000/01 included upgrading of banking and computer skills, as well as first aid training. ▪ Four Corners upgraded its Customer Relations Representatives' computer station monitors in 2000/01.
Goal 10: Ensuring Four Corners functions well and in compliance with statutes.	▪ The Board of Directors has met at least ten times in 2000/01. It was particularly active in the areas of strategic planning and in the streamlining of Four Corners' operations, organizational structure and decision-making processes. ▪ Four Corners' legislated Committees were fully functional. In 2000/01, four Committees to the Board of Directors were active: Executive, Audit, Investment & Loan and Conduct Review. ▪ The fourth 11 member Board of Directors was appointed in March 2001 for a two-year term. ▪ In 2000/01, Four Corners continued to fulfil its regulatory and statutory requirements, including minimum liquidity of 20% and minimum capital of 8% or $5 million, whichever is greater.

5 Financial Report

Management Discussion And Analysis

In the 2000/01 fiscal year, Four Corners experienced a net loss of $947,438. While a net loss was budgetted, this is greater than anticipated.

While ATM revenues increased more than expected, Four Corners was not able to attract deposits as it intended. In particular, 2000/01 total deposits were not large or long enough to support Four Corners' expected lending activities.

While it reduced its branch operating costs significantly, other expenses were higher than anticipated. These expenses include those for consulting services related to marketing and management support activities, the allowance set aside for loan losses and data processing costs.

Four Corners' business environment during the year was characterized by a high degree of competition and demand for its services.

A highly competitive rate market affected Four Corners' margins and ability to attract and retain term deposits. Four Corners offered very competitive rates to customers.

At the same time, local demand for Four Corners' banking services continued to be high. However, the costs of delivering its services are higher than the industry average. Staff spend more time with individual customers when it is needed. Most products and services are also designed slightly differently to meet customers needs (e.g., photo identification services are offered at no cost to savings/chequing account holders as well as those who cash cheques at the branch).

Four Corners' regulatory compliance requirements involve significant management time. These are requirements not experienced to the same extent by other financial institutions.

In the next fiscal year, Four Corners looks forward to a variety of challenges and opportunities.

Its number one priority is its financial sustainability. This challenge is intended to be met through Four Corners' enhanced marketing activities, access to new revenue sources (like point-of-sale transactions) and ongoing operational efficiencies.

Retaining its current customers and attracting new ones are the primary concerns of Four Corners' marketing and sales staff. In particular, they are looking to encourage relationships with customers having large and longer-term deposits with Four Corners to help with sustainability.

Four Corners will continue to focus on the matching of its assets and liabilities – again with an emphasis on longer-term deposits. Increasing competition among financial institutions is expected to continue to provide Four Corners with a challenge.

Four Corners' key financial and operating statistics for the past five years are summarized in the following table.

Five Year Summary Of Financial Statements And Statistics

Balance Sheet (As At March 31)

	2001	2000	1999	1998	1997
Assets					
Cash Resources	23,345,438	25,628,212	29,253,591	27,219,306	9,961,304
Loans/Mortgages Receivable	5,296,038	3,494,534	301,526	294	-
Capital Assets	793,105	873,873	896,825	921,571	1,010,814
P.R.I.D.E Fund	-	-	-	-	14,181
	29,434,581	**29,996,619**	**30,451,942**	**28,141,171**	**10,986,299**

	2001	2000	1999	1998	1997
Liabilities And Net Share Capital					
Deposits	22,474,148	22,106,375	21,616,358	21,675,991	4,659,146
Payables And Accruals	100,497	82,870	130,447	56,262	126,193
P.R.I.D.E. Fund	-	-	-	-	14,181
	22,574,645	22,189,245	21,746,805	21,732,253	4,799,520
Share Capital And Deficit					
Share Capital	10,000,000	10,000,000	10,000,000	7,000,000	6,000,000
Contributed Surplus	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Deficit	(4,140,064)	(3,192,626)	(2,294,863)	(1,591,082)	(813,221)
	6,859,936	7,807,374	8,705,137	6,408,918	6,186,779
	29,434,581	**29,996,619**	**30,451,942**	**28,141,171**	**10,986,299**

Statement Of Operations And Surplus (Deficit) For The Year Ended March 31

	2001	2000	1999	1998	1997
Revenue	1,854,986	1,531,322	1,597,174	920,080	346,662
Expenses					
Financial	1,111,213	960,365	1,081,464	660,783	101,367
Administrative	1,715,813	1,493,162	1,219,491	1,037,158	850,250
Earnings (Loss) From Operations					
Net Earnings (Loss) For the Year	**(947,438)**	**(897,763)**	**(703,781)**	**(777,861)**	**(604,955)**
Deficit - April 1	(3,192,626)	(2,294,863)	(1,591,082)	(813,221)	(208,266)
Deficit - March 31	**(4,140,064)**	**(3,192,626)**	**(2,294,863)**	**(1,591,082)**	**(813,221)**

Statistics

	2001	2000	1999	1998	1997
Total number of account holders	5,532				
Number of savings account holders	4,754	(March 2001)			
Number of chequing account holders	778	(March 2001)			
Number of low income account holders	4,421				

Report Of Management

Jim Green
Chief Executive Officer

John Hill
Vice-President, Banking Operations and General Manager

Management prepares the accompanying financial statements and related information and is responsible for their integrity and objectivity. The statements were prepared in conformity with Canadian generally accepted accounting principles. These financial statements include amounts that are based on management's estimates and judgements, particularly our reserves for losses and loss adjustment expenses. We believe that these statements present fairly our financial position and results of operations and that the other information contained in the annual report is consistent with the financial statements.

We maintain and rely on a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and transactions are properly authorized and recorded. We believe our systems of internal accounting controls provide reasonable assurance that errors or irregularities that would be material to the financial statements are prevented or detected in the normal course of business.

Our external auditors, Kanester Johal, have audited the financial statements. Their audit was conducted in accordance with generally accepted auditing standards. This includes the consideration of our internal controls to the extent necessary to form an independent opinion on the financial statements prepared by management.

The Audit Committee, composed of members of the Board of Directors of the BC Community Financial Services Corporation, oversees management's discharge of its financial reporting responsibilities. The Committee meets periodically with management to discuss financial reporting and internal control matters.

Jim Green
Chief Executive Officer

John Hill, Vice-President
Banking Operations and General Manager

Auditor's Report

Kanester Johal
Chartered Accountant

To the Shareholder of

B.C. Community Financial Services Corporation (dba Four Corners Community Savings)

We have audited the Balance Sheet of B.C. Community Financial Services Corporation (dba Four Corners Community Savings) as at March 31, 2001, and the Statements of Loss and Deficit and Cash Flow for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the corporation as at March 31, 2001 and the results of operations and changes in financial position of the corporation for the year then ended, in accordance with generally accepted accounting principles.

As required by the *Community Financial Services Act* of British Columbia, we report that, in our opinion, these principals have been applied on a basis consistent with that of the preceeding year.

Burnaby, BC
May 9, 2001

Kanester Johal
Chartered Accountant

AUDITED FINANCIAL STATEMENTS AND NOTES

Branch Office: 390 Main Street, Vancouver, B.C. V6A 2T1 Telephone: (604) 606-0136

August 9, 2001

Dear Sir or Madame:

Re: B.C. Community Financial Services Corporation Capital Adequacy Requirement

Under section 68 of the *Financial Institutions Act ("FIA")*, a financial institution must ensure that its capital base is at all times adequate in relation to the business carried on by the financial institution. In reference to this requirement, Note 11 of the Annual Financial Statements of the Corporate discloses that "The Capital Adequacy Requirements under the *Financial Institutions Act* of British Columbia provides that the Corporation must maintain a capital base of at least 8% of the total value of the risk-weighted assets, as defined by the *Act*, to avoid certain operating restrictions." The Corporation has satisfied this requirement at March 31, 2001.

Section 68 of the FIA further notes that "a trust company authorized to carry on deposit business or both trust business and deposit business must ensure that its capital base is at all times at least greater of (I) $5 million, or (ii) the amount that constitutes an adequate base in accordance with the regulation". Under the FIA, a trust company is defined to include a Corporation incorporated under the *Trust Company Act* or incorporated under another *Act,* which B.C. Community Financial Services Corporation is.

Accordingly, the Corporation must comply with this additional requirement for capital adequacy. As of March 31, 2001, the Corporation has complied with this requirement. As this additional disclosure was not noted in the Annual Financial Statements, this letter has been sent to clarify this matter to you.

If you require further details in respect to this matter, please do not hesitate to call.

Yours very truly,

Board of Directors

BC Community Financial Services Corporation

B.C. COMMUNITY FINANCIAL SERVICES CORPORATION

(dba Four Corners Community Savings)

Financial Statements

March 31, 2001

AUDITOR'S REPORT

To the Shareholder of

B.C. Community Financial Services Corporation (dba Four Corners Community Savings)

We have audited the Balance Sheet of B.C. Community Financial Services Corporation (dba Four Corners Community Savings) as at March 31, 2001, and the Statements of Loss and Deficit and Cash Flow for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the corporation as at March 31, 2001 and the results of operations and changes in financial position of the corporation for the year then ended, in accordance with generally accepted accounting principles.

As required by the Community Financial Services Act of British Columbia, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Burnaby, BC
May 9, 2001

KANESTER JOHAL
Chartered Accountants

B.C. COMMUNITY FINANCIAL SERVICES CORPORATION
(dba Four Corners Community Savings)

Balance Sheet
As At March 31, 2001

	2001	2000
Assets		
Cash Resources		
Cash	$ 437,816	$ 311,456
Term deposits (Note 3)	22,527,886	24,931,092
Accrued interest	204,108	261,529
Notes receivable (Note 4)	165,121	100,371
Prepaid expenses	10,507	23,764
	23,345,438	25,628,212
Loans Receivable (Note 5)	196,685	358,138
Mortages Receivable	5,099,353	3,136,396
Capital Assets (Note 6)	793,105	873,873
	$ 29,434,581	$ 29,996,619
Liabilities		
Deposits		
Chequing	$ 1,174,018	$ 452,333
Savings	472,102	609,890
Money orders	47,229	46,577
Term deposits	20,519,250	20,795,426
Registered retirement savings plan	261,549	202,149
	22,474,148	22,106,375
Others		
Accounts payable and accrued liabilities	100,497	82,870
	22,574,645	22,189,245
Share Capital And Deficit		
Share Capital (Note 8)	10,000,000	10,000,000
Contributed Surplus (Note 9)	1,000,000	1,000,000
Deficit	(4,140,064)	(3,192,626)
	6,859,936	7,807,374
	$ 29,434,581	$ 29,996,619

Approved On Behalf Of The Board Of Directors:

Director _____ **Director** _____

B.C. COMMUNITY FINANCIAL SERVICES CORPORATION
(dba Four Corners Community Savings)

Statement Of Loss And Deficit
For The Year Ended March 31

	2001	2000
Financial Revenue		
Investment	$ 1,368,055	$ 1,359,352
Customer service and miscellaneous	486,931	171,970
	1,854,986	1,531,322
Financial Expenses	1,111,213	960,365
	743,773	570,957
Administrative Expenses		
Administrative and general (Note 15(c))	280,924	147,461
Amortization	110,893	105,619
Automated Teller Machine	27,530	16,838
BC capital tax	12,325	66,471
Bad debts	97,441	12,570
Bonding and insurance	26,280	26,320
Contract services	20,059	39,540
Courier	5,291	6,090
Data processing	169,991	135,973
Directors and Advisory Council fees and related expenses	30,825	23,450
Expense recovery (Note 15(c))	(200,000)	(72,000)
Interest and bank charges	11,431	11,030
Professional fees	134,426	68,598
Rent	156,327	127,648
Repairs and maintenance	31,543	23,788
Security	4,689	6,266
Telephone	17,302	16,871
Utilities	19,531	14,703
Wages and benefits	759,005	715,926
	1,715,813	1,493,162
Loss From Operations	(972,040)	(922,205)
Gain On Foreign Currency Exchange	24,602	24,442
Net Loss, for the year	(947,438)	(897,763)
Deficit, beginning of year	(3,192,626)	(2,294,863)
Deficit, end of year	$ (4,140,064)	$ (3,192,626)

B.C. COMMUNITY FINANCIAL SERVICES CORPORATION
(dba Four Corners Community Savings)

Statement Of Cash Flow
For The Year Ended March 31

	2001	2000
Operating Activities		
Net loss From Operations	$ (947,438)	$ (897,763)
Add: adjustment for		
Amortization	110,893	105,619
	(836,545)	(792,144)
Net change in		
Accured interest	57,421	(23,607)
Prepaid expenses	13,257	(23,764)
Accounts payable and accrued liabilities	17,613	10,309
Accrued fees	-	(34,738)
BC corporate tax	-	(23,148)
	(748,254)	(887,092)
Financing Activities		
Increase in customers deposits	367,787	490,017
	367,787	490,017
Investing Activities		
Additions to capital assets	(30,125)	(82,667)
Increase in loan receivable	96,703	(447,027)
Increase in mortgages receivable	(1,962,957)	(2,846,352)
	(1,896,379)	(3,376,046)
(Decrease) Increase In Cash	(2,276,846)	(3,773,121)
Cash, beginning of year	25,242,548	29,015,669
Cash, end of year	$ 22,965,702	$ 25,242,548
Cash is consisted of:		
Cash	$ 437,816	$ 311,456
Term deposits	22,527,886	24,931,092
	$ 22,965,702	$ 25,242,548

B.C. COMMUNITY FINANCIAL SERVICES CORPORATION
(dba Four Corners Community Savings)

Notes To The Financial Statements
March 31, 2001

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1. The Corporation

BC Community Financial Services Corporation was established under the Community Financial Services Act, SBC 1994 on July 4, 1994 and commenced operations on January 12, 1995. The purpose of the Corporation is to encourage and facilitate the use of savings institutions by, and to provide a full range of financial and related services to, members of the community. The Act does not allow the Corporation to issue its shares to any person other than the Minister of Finance and Corporate Relations for the Province of British Columbia.

2. Significant Accounting Policies

Capital Assets

Capital assets are recorded at cost. Amortization is provided at the following rates:

Computer equipment	- 5 years	straight line
Furniture and equipment	- 10 years	straight line
Leasehold improvements	- 15 years	straight line
Security system	- 10 years	straight line
Software	- 3 years	straight line

Half rates are applied in the year of acquisition.

Loans and Mortgages Receivable

Loans and mortgages receivable are stated net of a provision established to recognize loan impairment. This provision is determined by reference to specific loans in arrears and by judgement of management based on loan collection experience. Loans and mortgages receivable considered uncollectible are written off.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Foreign Exchange

The company follows the temporal method of accounting for the translation of foreign currency amounts into Canadian dollars. Unrealized exchange gains and losses on translation of long-term debt are deferred and amortized over the remaining periods. Other exchange gains and losses arising from foreign currency balances at the balance sheet date are recognized as they occur.

3. Term Deposits

Term deposits consist of:

	2001	2000
Credit Union Central of British Columbia	$ 22,527,886	$ 24,931,092

4. Notes Receivable

	2001	2000
Notes receivable	$ 165,121	$ 102,324
Less: allowance for doubtful	-	(1,953)
	$ 165,121	$ 100,371

5. Loans Receivable

	2001	2000
Loans receivable	$ 268,686	$ 361,583
Less: allowance for doubtful	(72,000)	(3,445)
	$ 196,686	$ 358,138

6. Capital Assets

	Cost	Accumulated Amortization	Net 2001	Net 2000
Computer equipment	$ 158,043	$ 109,507	$ 48,536	$ 59,858
Furniture and equipment	122,464	38,935	83,529	88,300
Leasehold improvements	930,576	296,211	634,365	696,404
Security system	44,615	22,499	22,116	26,577
Software	22,968	18,409	4,559	2,734
	$ 1,278,666	$ 485,561	$ 793,105	$ 873,873

7. Bank Indebtedness

The Corporation has a line of credit with Credit Union Central of British Columbia with an authorized amount of $500,000 and interest calculated at prime rate. The line of credit is guaranteed by the Province of British Columbia.

8. Share Capital

Authorized:
10,000,000 Shares with a par value of $1.00 each.

	2001	2000
Issued and outstanding:		
10,000,000 Shares	$ 10,000,000	$ 10,000,000

9. Contributed Surplus

Contributions from the Province of British Columbia were provided to fund start-up costs and initial operation losses of the Corporation.

10. Contractual Obligations

a) Effecitive April 1, 2001, the Corporation entered into an agreement to have data processing services provided to the Corporation on a monthly basis.

b) Effective April 1, 2001, the Corporation entered into a one year lease agreement with BC Building Corporation, with the option to extend the term to March 31, 2006. The annual base rent is $103,446 plus operating costs. Minimum payments due under the lease are as follows:

2003	$ 103,446
2004	103,446
2005	103,446
2006	103,446

11. Capital Requirements

The Capital Adequacy Requirement under the Financial Institutions Act of British Columbia provides that the Corporation must maintain a capital base of at least 8% of the total value of risk-weighted assets, as defined by the Act, to avoid certain operating restrictions. The Corporation has satisfied this requirement at March 31, 2001.

12. Maturities And Weighted Average Rates

	Weighted Average Rate	Within 1 year	2 to 3 years	3 to 4 years	Over 4 years	Not Interest Sensitive	Total
Assets							
Cash	0.00 %	$ -	$ -	$ -	$ -	$ 437,816	$ 437,816
Term deposits	5.13 %	21,471,401	1,046,180	10,305	-	-	22,527,886
Accrued interest	0.00 %	-	-	-	-	204,108	204,108
Loans and mortgages	7.93 %	1,430,166	438,598	1,288,881	2,303,514	-	5,461,159
Premises and equipment	0.00 %	-	-	-	-	793,105	793,105
Prepaid expenses	0.00 %	-	-	-	-	10,507	10,507
		$ 22,901,567	$ 1,484,778	$ 1,299,186	$ 2,303,514	$ 1,445,536	$ 29,434,581
Liabilities and Shareholders' Equity							
Deposits	4.60 %	$ 20,224,587	$ 2,151,594	$ 26,686	$ 71,281	$ -	$ 22,474,148
Other	0.00 %	-	-	-	-	100,497	100,497
Shareholder's equity	0.00 %	-	-	-	-	6,859,936	6,859,936
		$ 20,224,587	$ 2,151,594	$ 26,686	$ 71,281	$ 6,960,433	$ 29,434,581
Interest Sensitivity Position		$ 2,676,980	$ (666,816)	$ 1,272,500	$ 2,232,233	$ (5,514,897)	$ -

13. Remuneration To Directors And Advisory Council Members

During the year, the Corporation incurred $30,825 (2000 - $22,230) in fees payable to members of the Board of Directors and the Advisory Council for attendance at meetings.

14. Financial Instruments

The following information represents the estimated fair values of the Corporation's financial instruments. Fair values have not been disclosed for those assets and liabilities which are not considered financial instruments.

	Book Value	Fair Value	Fair Value Over Book Value
Assets			
Cash	$ 437,816	$ 437,816	$ -
Term deposits and accrued interest	22,731,994	22,766,701	34,707
Loans	5,461,159	5,461,159	-
	$ 28,630,969	$ 28,665,676	$ 34,707
Liabilities and Shareholder's Equity			
Deposits	$ 22,474,148	$ 22,546,598	$ 72,450
Other	100,497	100,497	-
	$ 22,574,645	$ 22,647,095	$ 72,450

The fair values have been calculated using the present value techniques and are based on market conditions at March 31, 2001. Interest rate sensitivity is the primary cause of the differences between the book and fair values. The book values have not been adjusted to reflect fair values, as the Corporation generally holds the instruments to maturity.

15. Related Parties Transactions

During the year, the Corporation participated in the following transactions with other government organizations:

a) The Corporation paid $156,327 (2000 - $127,648) in rent to another provincial organization;

b) The Corporation paid or accrued $567,927 (2000 - $687,478) in interest to other provincial government organizations; and

c) The corporation received services with a value of approximately $200,000 (2000 - approximately $72,000) from other government agencies for no consideration. The services have been included in general and administrative.

During the year, the corporation extended term loans, lines of credit and mortgages to employees. On March 31, 2001 these totalled $31,548 in term loans and lines of credit and $311,261 in respect to the mortgages.

16. Major Customer

In this fiscal year end, there were no major customers. Last year, one of the Corporation's customer, a provincial government organization had approximately $10,000,000 in term deposits with the Corporation, representing 49% (2000 - 49%) of the Corporation's customer deposits.

APPENDIX A

GOALS, KEY STRATEGIES, PERFORMANCE MEASURES, TARGETS/EXPECTED RESULTS AND 2000/01 RESULTS

GOALS, KEY STRATEGIES, PERFORMANCE MEASURES, TARGETS/EXPECTED RESULTS AND 2000/01 RESULTS

GOALS/KEY STRATEGIES	PERFORMANCE MEASURES	2001-2004 TARGETS/EXPECTED RESULTS	2000/01 RESULTS
Financial:			
Goal 1: Achieve financial targets: • Increase revenues from banking activities; • Control costs; and, • Manage risk.	• Revenue source growth rates.	• Deposits to grow to $42 million by end of fiscal year 2003/04. • Loans to grow to $22.5 million by 2003/04.	• Deposits were $22.5 million at the end of fiscal year 2000/01 – a net increase of $0.4 million.[6] • Loans were $5.3 million at the end of fiscal year 2000/01 – a net increase of $1.8 million.
	• Financial revenue and operating/administrative expense levels.	• Financial revenues projected to grow to $3.2 million by 2003/04. • Operating expenses projected to increase to $1.8 million by 2003/04.	• Financial revenues were $1.8 million in 2000/01 – a net increase of $0.3 million. • Operating expenses were $1.7 million in 2000/01 – a net increase of $0.2 million.
Customer:			
Goal 2: Deliver banking services that meet the needs of customers in an appropriate manner.	• Market share in the DTES.	• Maintain market share in the DTES (estimated at 25% of the adult population).	• Market share in the DTES is estimated to be 25% of the adult population by the end of the 2000/01 fiscal year.

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[6] As a result of a Four Corners' shareholder decision, $8 million which was on deposit was withdrawn. Without this withdrawal, the net increase in deposits would have been $8.4 million in 2000/01.

GOALS/KEY STRATEGIES	PERFORMANCE MEASURES	2001-2004 TARGETS/EXPECTED RESULTS	2000/01 RESULTS
▪ Offer cheque cashing, retail banking and consumer/commercial lending services, etc. ▪ Offer financial services in a manner which is appropriate (e.g., no cost).	▪ Community members being served.	▪ Net account holders projected to grow to 6,400 by 2003/04.	▪ Four Corners had 5,532 account holders at the end of fiscal year 2000/01[7]. ▪ 80% (4,421) were low income account holders.
	▪ Range of financial services being provided.	▪ Point-of-sale transactions projected to grow to 3,000 per month by 2003/04.	▪ Point-of-sale transactions are to be introduced in 2001/02.
		▪ ATM transactions projected to grow to 7,000 per month by 2003/04.	▪ ATM transactions averaged between 3,500 and 4,000 per month in 2000/01.
	▪ Customer acquisition rates.	▪ Net new account holders projected to grow by 300 per year (to 6,400 by 2003/04).	▪ Net new account holders were 556 in 2000/01.
	▪ Customer retention rates.	▪ Retain 60% or more of current customers.	▪ Approximately one-half of 201 onsite customers surveyed in December 1999 had opened their account two or more years ago.
	▪ Customers' access/transaction rates.	▪ (New) Point-of-sale transactions projected to grow to 3,000 per month by 2003/04.	▪ As above.
		▪ ATM transactions projected to grow to 7,000 per month by 2003/04.	
	▪ Customer satisfaction ratings.	▪ Create baseline customer satisfaction ratings for overall services as well as specific products/services.	▪ Not yet available.

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[7] These are individuals who hold savings or chequing accounts which have been active in the past 12 months. This estimate assumes that these individuals hold either a savings account or a chequing account, but not both.

GOALS/KEY STRATEGIES	PERFORMANCE MEASURES	2001-2004 TARGETS/EXPECTED RESULTS	2000/01 RESULTS
Goal 3: Access to needed services in the community/DTES.			
▪ Provide identification cards and referrals/advice to services.	▪ Photo identification cards and visual records on file. ▪ Access to other services, referrals made, advice given.	▪ Gradually increase the number of account holders using photo identification services. ▪ Referrals and advice continue to be made available to customers.	▪ Photo identification cards are currently on file for 5,532 savings/chequing account holders. According to the December 1999 survey of onsite customers: ▪ 24% said they used Four Corners to look for jobs (e.g., through the HRDC kiosk in the lobby); ▪ 13% to get information about job training or educational programs; ▪ 9% to get advice about budgeting from bank staff; and, ▪ 9% to get help for personal problems from staff.
Goal 4: Attracting new customers within/outside the DTES.			
▪ Marketing/sales efforts and cultural/educational events.	▪ Customer acquisition rates (see above). ▪ Range of financial services being provided (see above). ▪ Cultural/educational events held/supported (see below).		

(cont'd)

GOALS/KEY STRATEGIES	PERFORMANCE MEASURES	2001-2004 TARGETS/EXPECTED RESULTS	2000/01 RESULTS
Goal 5: Strong linkages with the community/DTES: • Build relations with stakeholders. • Offer/support free cultural events and youth sports training camps.	• Advisory Council participation/input.	• Continue Advisory Council meetings with the Board of Directors at least four (4) times per year.	• In 2000/01, the Advisory Council met with the Board of Directors four (4) times. The Advisory Council focussed on how to provide excellent customer service, as well as on ensuring that Four Corners' products, services and hours of operation meet the needs of low income customers.
	• Relationships with other community organizations.	• Maintain/develop ongoing relationships with other community organizations.	• Some community organizations had accounts with Four Corners in 2000/01. In addition, organizations had input into Four Corners through the Advisory Council and through their participation in community meetings.
	• Cultural/educational events held/supported.	• Support at least four (4) cultural/ educational events/programs and additional ones as appropriate.	Cultural/educational events/programs supported in 2000/01 include: • 4 operas; • Humanities 101 program; • UBC's urban field school; • Visiting lecturer; • Poet's Corner; and, • A sports camp for youth.

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GOALS/KEY STRATEGIES	PERFORMANCE MEASURES	2001-2004 TARGETS/EXPECTED RESULTS	2000/01 RESULTS
Goal 6: Benefits to customers.			
▪ Provide banking services to customers and facilitate their access to other services.	▪ Improved customer financial stability, health and expanded social support networks.	▪ Financial, health and social support improvements reported by community members.	Customer benefits reported in December 1999 interviews with onsite customers and community organization were: ▪ Financial (e.g., more money to manage, better money management, money lasting longer and a lower likelihood of being robbed); ▪ Increased feelings of security and self-confidence; and, ▪ Increased knowledge about where to go for help in the DTES.
Goal 7: Benefits to the DTES community.			
▪ Provide banking services to customers and community development initiatives facilitate access to other services and build relations with stakeholders.	▪ Improved community social, physical and economic sustainability.	▪ Social, physical and economic sustainability improvements reported by community members.	Community benefits reported in December 1999 interviews with onsite customers and community organization included: ▪ Building a sense of community through pride in Four Corners as a community initiative and through past inclusive organizing efforts; ▪ Helping to increase street safety in the vicinity of Four Corners' location; and, ▪ Increased employment and role modelling through the hiring of staff from the community.

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GOALS/KEY STRATEGIES	PERFORMANCE MEASURES	2001-2004 TARGETS/EXPECTED RESULTS	2000/01 RESULTS
Business Process:			
Goal 8: Ensuring efficient business processes are in place.			
• Review and refine business processes on a continuous basis.	• Timeliness and quality of services provided.	• Create baseline customer ratings for the timeliness and quality of services.	• Not yet available.
	• Business process improvements made.	• Continuous improvement of business processes.	• Increased efficiency in branch operations as a result of changes in operating hours and staff allocations. • Enhanced contractual arrangements as a result of a review and renegotiations. • The streamlining of organizational structures and decision-making processes.
Learning & Growth:			
Goal 9: Building and retaining capacity.			
• Recruit, develop and maintain well-trained staff and support access to training opportunities. • Acquire, implement and service financial technologies and information systems.	• Employee recruitment, retention and satisfaction.	• Ongoing recruitment, as needed, retained staff, improved skill levels and satisfaction levels.	• In 2000/01, there was low turnover among staff members; most of Four Corners' staff are being retained long term. • Training during 2000/01 included upgrading of banking and computer skills, as well as first aid training.
	• Technology/information system capabilities and changes made.	• Move data processing in-house in 2001/02. • Point-of-sale technology capability to be added in 2001/02.	• Four Corners upgraded its Customer Service Representatives' computer station monitors in 2000/01.

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GOALS/KEY STRATEGIES	PERFORMANCE MEASURES	2001-2004 TARGETS/EXPECTED RESULTS	2000/01 RESULTS
Goal 10: Ensuring Four Corners functions well and in compliance with statutes.			
• Be governed by its Board of Directors and Committees. • Achieve or exceed its statutory and regulatory requirements. • Investigate reorganization and reposition options.	• Board Of Directors and Committee oversight activities being undertaken.	• Continue to meet and undertake oversight activities.	• The Board of Directors has met at least ten (10) times in 2000/01. It was particularly active in the areas of strategic planning and in the streamlining of Four Corners' operations, organizational structure and decision-making processes. • Four Corners' legislated Committees were fully functional. In 2000/01, four Committees to the Board of Directors were active: Executive, Audit, Investment & Loan and Conduct Review. • The fourth 11 member Board of Directors was appointed in March 2001 for a two-year term.
	• Statutory and regulatory requirements being complied with.	• Continue to comply with the six (6) statutes which currently affect Four Corners' operations as well as other regulatory requirements.	• In 2000/01, Four Corners continued to fulfil its regulatory and statutory requirements, including minimum liquidity of 20% and minimum capital of 8% or $5.0 million, whichever is greater.

APPENDIX B

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

LIST OF DIRECTORS AND OFFICERS

Statement Of Corporate Governance Practices

Board Of Directors

The Directors of BCCFSC manage the Corporation's affairs or supervise the management of those affairs and may do one or more of the following:

(a) Exercise the powers conferred on them under the *Community Financial Services Act* (CFSA);

(b) Exercise the powers of the Corporation on behalf of the Corporation;

(c) Delegate the exercise or performance of any power or duty conferred or imposed on them to

  (i) a committee appointed by the Directors;

  (ii) a person appointed under the CFSA; or,

  (iii) a person employed by the Corporation.

The Directors pass the resolutions or bylaws they consider necessary or advisable for the management and conduct of the affairs of the Corporation and for the exercise of their powers or performance of their duties including, without limitation, resolutions or bylaws respecting the calling and holding of meetings of the Directors and the procedure to be followed at the meetings. A resolution approved by the required number of Directors by telex, telegraph, facsimile or other electronic transmission, telephone or any other similar means of communication confirmed in writing or other graphic communication, is as valid and effectual as if it had been passed at a meeting of the Directors properly called and constituted.

The Directors prepare and maintain records containing minutes of meetings and resolutions of the Directors and any committee appointed by the Directors.

Executive Committee

The Executive Committee ensures that it complies with Board policy and the legislation in the same manner and to the same extent as though the Board of Directors itself were deliberating on any matter coming before it. The Committee acts as an extension of the Board of Directors, handling the affairs of the Board, as though it were the Board, within the delegated authority and discretionary powers given to it by the Board.

The Board does not abrogate its responsibilities to the Committee. It only delegates authority to the Committee that has firstly been reviewed and its delegation approved by the Board in a manner consistent with action required by the Board in its deliberations of matters coming before the Board. For greater certainty, the Committee is the executive or management arm of the Board in carrying out the will of the Board as though the Board itself were doing so.

The responsibilities of the Committee are:

1. To act with the full authority of the Board of Directors, except for the restrictions outlined in Section 111 of the *Financial Institutions Act*, from Board meeting to Board meeting, unless this authority has been limited by means of a resolution(s) passed by the Board, in which case it may act within these authorities.
2. To act within the discretionary powers delegated to the Committee, and within the same policies and the legislation required of the Board to so act, including the provisions of the Investment and Lending Policy (ILP).
3. To coordinate the performance appraisal of the Vice-President, Banking Operations and General Manager and provide recommendations to the Board of Directors concerning the outcome of the appraisal and compensation.
4. To authorize annual salary changes for the Vice-President, Banking Operations and General Manager in accordance with specific Board resolutions.

Investment & Loan Committee

The Investment & Loan Committee monitors the Corporation's lending activities in compliance with generally accepted lending practices and the policies and procedures, as detailed in the Corporation's Investment & Lending Policy, and governing legislation.

The Committee ensures that, whenever changes to the ILP and its procedures are being considered, the changes meet the test of prudent lending practices and do not increase risk in the Corporation's loan portfolio beyond generally accepted standards employed by the industry.

The responsibilities of the Committee are:

1. To review, at least annually, the Corporation's ILP to determine its adequacy for granting loans within prudent lending practices and the Corporation's ability to fund loans in each and every loan classification.
2. To determine, at least annually, the performance of management and staff in managing the Corporation's investment and loan portfolios, and determine whether the Corporation has adequate investment and lending experience, and expertise, to implement the consumer and commercial lending policies of the Corporation.
3. To determine, at least annually, whether the Corporation has an adequate capital base in relation to any expected commercial lending and/or leasing business to be carried on by it.
4. To review, at least annually, credit approval procedures and recommend amendments, as may be deemed prudent and necessary, to the Board.
5. To review proposals from management regarding changes to the ILP and to submit its findings and recommendations to the Board.

6. To review the Corporation's delinquency and portfolio management to determine whether loans are being granted within the spirit and intent of the ILP and its procedures and, where adverse trends are indicated, whether changes to the ILP and its procedures to improve performance are desirable.

7. To receive, review and approve or decline loans that come before it as presented by management, and ensure that approved loans meet the guidelines of the ILP including those where the Committee has the authority to grant exceptions to policy. The Committee shall not approve any loan that is not recommended by the Vice-President, Banking Operations & General Manager or designate.

8. To ensure the development and implementation of prudent policies and procedures respecting the reviews and approvals of loans, diversification of the investment and loan portfolios, and such other exposures to the portfolios that are controllable through prudent investment and lending practices.

9. To recommend to the Board the delegation of discretionary investment and lending limits, discretionary exceptions to policy, single customer loan caps, loan to value ratios, debt service ratios, and such other discretion or restrictions deemed by the Committee to be prudent in the circumstances.

10. To monitor the Corporation's investment and lending activities by way of reviews of delinquency and collections, portfolio mix, committed but unadvanced loans, the Corporation's ability to fund investment and loans, asset and liability management (interest rate risk), and investment and loan administration.

11. To review management's responses to lending issues that are raised by the Corporation's external auditor and the Financial Institutions Commission (FICOM).

12. To liaise with the Audit Committee regarding any investment and lending issues that arise from audits and examinations.

13. To monitor management's progress in clearing up deficiencies in investments and loans that may be raised in an audit or examination.

Audit Committee

Except as may be varied by legislation, the Audit Committee ensures that the Corporation and/or Four Corners develops, implements and follows, generally accepted accounting principles as outlined in the Handbook of the Canadian Institute of Chartered Accountants, as may be amended from time to time.

The responsibilities of the Committee are:

1. To seek out qualified external auditors to bid on the Corporation's annual audits and recommend an auditor to the Board for approval. The bidding for the audit is to occur at least every three years, beginning 1999/2000.

2. To provide qualified external auditors with sufficient information about the Corporation and its operations so as to produce optimal audit scopes, pricing and quality of audit work to ensure that the audit bids received by the Corporation fall within generally accepted auditing standards for financial institutions.

3. To ensure that qualified external auditors are not related parties within the meaning of the *Financial Institutions Act*. Where there is any perception of an auditor having a related party status or appears to be a conflict of interest with the Corporation in any way, the Committee shall report such matters to both the Conduct Review Committee and Board for resolution.

4. To review with the Corporation's appointed external auditor, prior to commencing the audit, the audited findings of the affairs of the Corporation, the scope of the audit, any restrictions applied to the scope of the audit, and any problems or conflicts experienced by the auditor in performing the audit.

5. To receive and review, at the first available time, any communication from the external auditor expressing concern about the affairs of the Corporation and to grant the request of the auditor to meet with the Committee at the first available time mutually convenient to the auditor and the Committee for the purposes of dealing with any issue or concern deemed important enough by the auditor to request such a meeting.

6. To review the response made by the Board to reports presented by the external auditor pursuant to Section 123 of the *Financial Institutions Act*.

7. To review the accounting, internal controls and risk management practices of the Corporation, and reports made by the Corporation's internal auditor.

8. To report and make recommendations to the Board respecting the accounting, internal controls and risk management practices of the Corporation that the Committee considers to be appropriate in the circumstances.

9. To liaise with management, the Board and other committees of the Board in monitoring the action to deal with deficiencies raised in internal and external audits and FICOM examinations, and report the findings to the Board.

10. To review the current operating and capital budgets against actual results on at least quarterly and year-to-date comparatives.

11. To receive and review the findings of the examinations of FICOM.

12. To report to the Board any conflicts between the external auditor, FICOM and the management of the Corporation that the Committee is unable to resolve within a reasonable period of time.

13. To ensure that management addresses any and all matters brought to the attention of the Corporation by its external auditor or FICOM, and review proposed responses by management to such matters, and make recommendations to the Board regarding the responses as appropriate in the circumstances or as required to be made by legislation.

14. To review any and all statutory returns to FICOM and to Treasury Board, audit reports, transactions or matters, pursuant to Section 115 (3) of the *Financial Institutions Act*.

15. To liaise with all standing committees of the Board in monitoring management's performance in managing the affairs of the Corporation and report the Committee's findings to the Board.

16. To approve expenditures within the delegated authority of the Committee and recommend expenditures exceeding its authority to the Board.

Conduct Review Committee

The Conduct Review Committee ensures that written policies and procedures are established for the Corporation to follow in compliance with Section 112 and Part 5 of the *Financial Institutions Act*. The Committee bears the statutory obligation of monitoring the activities of the Corporation and ensuring that adequate policies and procedures are in place to avoid, as reasonably as possible, improper related party transactions, conflicts of interest, and improper flows and handling of confidential information. Written policies and procedures are also established for providing full disclosure of information to the customers of the Corporation, pursuant to Section 90, *Financial Institutions Act*.

Any violations of the *Financial Institutions Act* or of the Corporation's policies and procedures with respect to the foregoing paragraph and Section D of these Terms of Reference become subject to the investigation and disposition by the Committee.

The responsibilities of the Committee are:

1. To establish written policies and procedures designed to prevent conflicts of interests in all matters pertaining to the Corporation, setting out methods for the identification of potential conflict of interest situations and for restricting the flow of confidential information.

2. To review at least annually the policies and procedures pursuant to Section 112, *Financial Institutions Act*.

3. To investigate and resolve conflicts of interests that may arise from time to time.

4. To approve or disapprove specific transactions or classes of transactions between the Corporation or a subsidiary of the Corporation and related parties.

5. To satisfy itself that transactions approved by it meet the Investment & Lending Policy of the Corporation and the legislation that governs transactions coming before it.

6. To satisfy itself that transactions approved by it are at a price not materially different than fair market value.

7. To establish procedures that provide full disclosure to customers of the Corporation as to whom the customer is dealing – i.e., the Corporation or a third party.

8. To keep or cause to be kept a current total of all transactions, including related party loans, approved by the Committee, by name and the securities relating thereto.

9. To keep or cause to be kept a record of related parties of the Corporation, the date on which a person became a related party and the date on which that person ceased to be a related party.

10. To keep a record of all related party transactions. To refer to the Superintendent of Financial Institutions Commission any transactions not prescribed by regulation.

List Of Directors And Officers

May 16, 2001

Directors:

- Jim Green, Chair
- Glenn Haddrell, Vice-Chair
- Barb Charlie, Advisory Council Nominee to the Board
- Laura Davis
- Vickie Dutcher, Advisory Council Nominee to the Board
- Peter Fairchild, Advisory Council Nominee to the Board
- John Fitzpatrick
- Leon Getz
- Wendy John
- Joy Langan
- Sam Sullivan

Committee Members

Executive Committee:

- Jim Green, Chair/Chief Executive Officer
- Glenn Haddrell, Vice-Chair
- Barb Charlie
- Joy Langan
- Wendy John

Investment & Loan Committee:

- Leon Getz
- Laura Davis
- Peter Fairchild
- Joy Langan
- John Hill, Vice-President Banking Operations & General Manager

Audit Committee:

- Vickie Dutcher
- Leon Getz
- Glenn Haddrell, Vice-Chair

Conduct Review Committee:

- John Fitzpatrick
- Vickie Dutcher
- Peter Fairchild
- Wendy John
- Sam Sullivan

Officers:

- Jim Green, Chair/Chief Executive Officer
- Glenn Haddrell, Vice-Chair
- John Hill, Vice-President, Banking Operations and General Manager
- Katrina Elliot, Vice-President, Corporate Services and Corporate Secretary
- Maureen Guerin, Assistant General Manager
- Marian Ocampo, Comptroller